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WELSHORD — GREAT SHIPPING PROBLEM

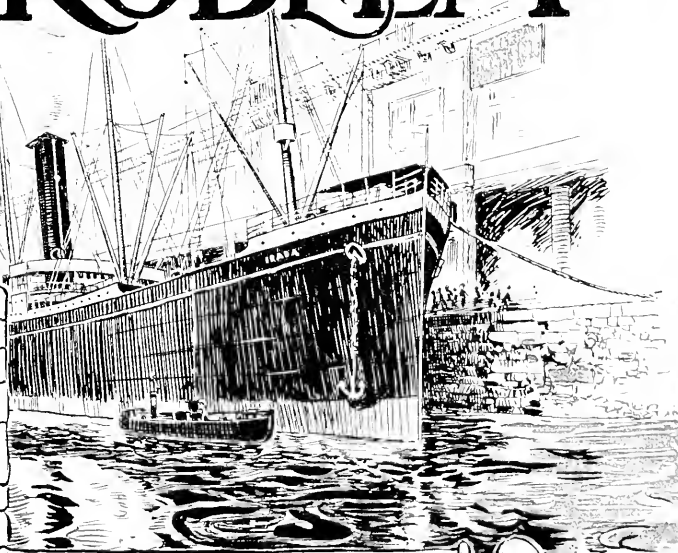
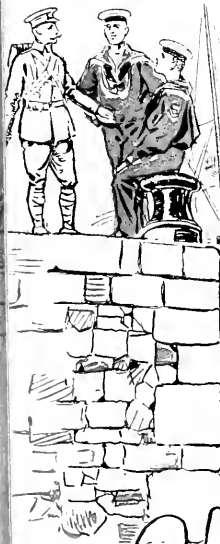




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THE GREAT SHIPPING PROBLEM



BY J. A. WELSFORD.

TOGETHER WITH
A REVIEW OF THE
ARTICLE BY THE

RT. HON. GEO. WYNDHAM, M.P.

LIVERPOOL

HENRY YOUNG & SONS 1909

THE
GREAT
SHIPPING PROBLEM

BY
J. H. WELSFORD

TOGETHER WITH
AN INTRODUCTION

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PREFACE.

In the political crisis which is now upon the country, the question of Fiscal change in its relation to the Shipping Trade is bound to be largely discussed in Liverpool and other great seaports.

It has occurred to the writers of the present pamphlet that a short statement of the case, both from the Tariff Reform and from the Free Trade point of view, presented by two practical Shipowners, may at this juncture be acceptable and useful to controversialists on both sides.

*Liverpool,
18th December, 1909.*



INTRODUCTION.

Mr. J. H. Welsford, in the following article, addresses himself to, and, in my opinion, destroys the only Free Trade argument that can still be called specious. Many of the Free Trade arguments, urged sixty years ago, have been refuted by experience. It is no longer possible to maintain, in the face of official statistics, that the employment afforded by agriculture and our leading manufacturing industries has kept pace with the growth of our population.

But, before this year's Budget, it was still possible to assert, though not to prove, that our pre-eminence in two respects, viz : Banking and Shipping, did depend upon adhering to the fiscal system associated with Mr. Cobden's name. Since the Budget was introduced, however, we have, on the authority of those best qualified to speak for our Bankers, enough material to disprove that assertion so far as the Banking interest is concerned. Nothing, therefore, remains of the case for Cobdenism except the mere declaration that our Shipping would suffer from the adoption of Tariff Reform. And it is that last plea with which the writer of the article deals so effectively as to dispose of it.

He states, and establishes, five propositions :

(1) By reminding us that we gained our mercantile supremacy under Protection, and that we have lost some, and a material part of it, under a system of Free Imports, he does not, indeed, prove that Protection is always good, and Free Trade always bad, for Shipping. What he does prove is that Shipping may prosper or fail under either,

and, accordingly, that it is necessary to study the conditions of the present time, so as to decide which system is the best for our Shipping under those conditions.

(2) In the next place he shows that the system of Free Imports can only be the best for our Shipping under circumstances which did once exist to a marked degree, but which exist no longer. A case for Free Trade, from the Shipping point of view, could be made with much plausibility so long as we were permitted to do three things : (*a*) conduct the coasting trade of other countries in our ships ; (*b*) build their new ships ; (*c*) sell them our old ships. But this permission has, in each instance, been withdrawn, or restricted within limits so narrow as to deprive the argument founded on them of any claim on our credence.

(3) In the third place, he points out that we can obtain countervailing advantages, to replace those we have lost, if we reserve to ourselves the carrying trade of our own Empire, or, at least, take the steps that are necessary to secure an overwhelming preponderance for ships carrying our flag in the traffic between all the ports over which that flag flies.

(4) In the fourth place, he demonstrates that we cannot hope to effect this by any device other than the adoption of Imperial Preference, which is now the policy of all the Sister States of the Empire, and awaits only the belated accession of the Mother Country.

(5) Finally, he gives many, and sound, reasons for his belief that Shipping, by accepting this policy, and so leading our great industries as ever in the past, would derive an advantage from that communion which can never accrue to isolated efforts divorced from the general trend of National Welfare.

GEORGE WYNDHAM.

PART I.

The Shipping Problem as affected by Fiscal Change.

A Constructive Case and an Answer to Free Importers.
From the Tariff Reform Point of View.

*“The only sin we never forgive in each other is difference
of opinion.”—EMERSON.*

In endeavouring to place the Tariff Reform case for shipping before my readers, I do not propose to occupy space upon theoretical arguments for and against Free Trade. In a paper of this nature I can only seek to place before my fellow-townsmen a practical appreciation of the situation as it seems to me to affect our shipping interests—interests which I venture to believe to be fully realised, must be regarded from our point of view as citizens of a great Empire, from which view they cannot be successfully disassociated. I shall endeavour to deal with crude facts as they appear to me, and to throw abstract theory overboard.

The historical facts of the past and the facts of the present clearly indicate the necessity of a British National Trade policy. England's shipping trade and commerce is being excelled, not because of any inherent internal fault or vice in its system, but rather from external reasons, which have rendered our methods obsolete.—Because, of the organised scientific competition of foreign nations.

The History of the Dutch Republic affords a striking parallel to passing events.

In this twentieth century, close students of the trend of events throughout the world recognise that the forces of individualism and efficiency in all departments of life are opposed to the old shibboleths of cheapness, socialism and *laissez faire*. Public opinion is ripening to throw off the incubus of the socialistic labour movement, and the rapid progress of events in the domain of international commerce is bringing us to the threshold of new thought.

It is perfectly clear that the progress of foreign nations in respect to armaments is totally disproportionate to any reasonable needs they may have to protect either their coast-line or their commerce. It may be, even strife may become inevitable in the pursuit of justice.

This important aspect of the matter must be emphasised, and no thoughtful business man to-day dare disregard these events. The attitude of mind of the so-called convinced Free Importer to this question of Foreign Competition can only be described as vicious in its unintellectuality.

It is true that Shipping is a complex and delicate organism. It was built under Protection, and certainly made great progress under Free Imports. The great problem with which we have now as shipowners to deal, is whether we have retained our advantages in the race.

British shipowners must, therefore, consider carefully the advisability of continuing this system of Free Imports, under which the foundations of their prosperity, their

security in their trades, and their confidence in their enterprise, are daily being undermined.

The policy of the convinced Free Importer in regard to shipping appears to be based almost exclusively upon the threadbare fallacy of cheapness. Cheapness in National affairs is useful only when combined with efficiency and adequate Defence.

The original conviction of Free Importers, when the navigation laws were repealed and tariffs abandoned, was that other nations would follow that lead.

The convinced Free Importer to-day, unfortunately for his case, argues as though that were the actual state of affairs.

If we had a free market for our shipping all over the World, and if the trades and ports of the World were open to us, as it was hoped by the advocates of Free Imports, then, indeed, would the case be different. As it is, however, the Governments of a large portion of the civilized World have closed their trades to British Shipping, and consequently, our pre-eminence as carriers is materially affected, as the writer will, in this article, proceed to show. Rightly or wrongly, foreign nations under protective systems, have developed mercantile marines which, in the aggregate, are to-day in excess of our tonnage.

The British shipowner, therefore, unless the sea coast of the British Empire is similarly secured to him, can never be on equal terms with the foreigner in the free markets. It may be that, by adopting navigation laws for Greater Britain, we might lose some of the foreign trade we are doing to-day. It does not follow that that would be the case, but, whether it was the case or not, the writer is convinced that we would gain far more than we would lose. There can be no question that shipowning, to be successful, must, like other property, have titles and security to its trades. It cannot rest, as one writer blandly suggests,

“upon its merits.” The capital, organisation and interests involved are too great. There must be just as good title to Shipping “trades” as there is to any other form of property.

Mr. Charles Booth, Junr., in his article, refers to “the excellent bargain made in the sale of English tonnage to the American Combine.” In common with other Free Importers, he entirely overlooks the important fact that America did not buy merely our old ships; they bought trades,—title deeds to trades,—which render it difficult for English companies to retain their position in that field, and practically impossible for them to expand. The shareholders of the Cunard Company are well able to judge of the result brought about in this position.

Knights of the Free Importing theory seem to rely upon Liverpool and London doing a large transshipment business for foreign nations, and advocate Free Ports. Practical shipping men know that foreign transshipment business from England is practically dead. Foreign surtaxes and bounties have killed it. The only advantage of free ports would be the securing of accidental opportunities. In this regard much might be done by the Port Authorities to cheapen Dock and Town Dues on such goods as do find their way into transshipment, particularly coastwise, but no great volume of traffic is involved in that matter. The distinct tendency to-day is for all trade to be done direct. By-products are only adjuncts to estimated results.

We are living in an age when the conveyance of produce, manufactured goods or raw material, from the producer to the consumer, is reduced to a scientific art. If the producer in any nation is to have the best yield of his production, his Government must see that his means of communication to his markets are not only the cheapest, but the best. Equally important is this for the consumer, so that he may be assured that, by efficient communication, year in and year out, c.i.f. costs to him

are as cheap as those of the people of any other nation. *The writer maintains that the cheapest and most effective shipping transport can be best assured to the nation which develops national production.* A plentiful supply of work for population cheapens taxation, makes markets attractive for capital, and increases the standing credit of the country in the money markets of the world. The development of national production not only assists exports in a pronounced degree, but thereby secures cheaper homeward freights, because the vessels will again return to seek their outward employment.

No nation could depend solely upon coal as an export.

The policy which the writer commends for the consideration of those interested in shipping, would enormously expand and develop the carrying trade within Greater Britain. We could thus keep at home our technically trained scientific artisans to produce those high grade goods in which they are skilled, and which our Colonies would buy from us in exchange for produce we could purchase from them. Therein lies the basis of a fair bargain. We would import our raw material and food supplies from our oversea Dominions, who would purchase their needs from us. By our enormous purchasing power, we possess an immense advantage in barter provided we avail ourselves of our opportunities.

A further fallacy which the doctrinaire of abstract theory loves to promulgate is that all Government legislation is harmful and tends to interference. History proves this theory fallacious. A study of the history of England reveals the fact that for many centuries its commerce and its shipping developed under a system of well defined trade policy, wisely directed by the successive Governments of the period. Free Imports and "*Laissez faire*" have developed a most unhealthy state of affairs, whereby our trade policy, upon which our shipping was founded, has been cast to the winds. Every civilized nation in the world to-day,

including Japan, give the first consideration to the development of their trade policy. In Germany, the Emperor himself gives the closest assistance and counsel to every branch of commerce and industry of the country. In shipping he is profoundly interested. In America there is nothing between commerce and the blue sky in the mind of the American Government. To foster work, promote industry, and keep their enormous population well employed and prosperous, is their first consideration.

Every thoughtful citizen who studies the underlying problems of business must realize that *co-operation* is essential to its success in any industry, great or small. In English commerce, and English ship-owning, under this policy of "*laissez faire*," co-operation has become unusual.

It is because the writer is so deeply convinced of the seriousness of our National trade position that he advocates so strongly the principles embodied in this article, an article not put forward as a literary essay, but as a plain statement of the basis upon which the writer ventures to believe that Imperial Consolidation of the British Empire would materially benefit the shipping interest.

The writer takes the view that shipping must, in the main, depend upon the commercial efficiency of the Nation, just as the efficiency of this Island Nation could only be maintained at its highest point by possessing an efficient mercantile fleet and navy.

The writer agrees entirely that the prosperity of shipping is of the greatest importance to so essentially a shipping community as that of Great Britain. The urgency of this question is impressed upon him by the astounding progress, under conditions similar to those we are told will be so detrimental to ourselves, which all the Foreign Nations have made in the shipping and commercial affairs of the civilized World—a World so rapidly expanding.

PART II.

“The Bird of Time has but a little way to flutter, and the bird is on the wing.”—OMAR KHAYYAM.

Attention has been directed to an article in which the view of the convinced Free Importer is re-stated in regard to the great and important shipping interest, and to Liverpool in particular.

The article states that “Tariff Reform must undermine “the foundations of the carrying trade, wipe out profits, “lower wages, and cause unemployment.” To those actively engaged in shipowning and its auxiliary branches, this sounds uncommonly like the state of affairs actually brought about during recent years, and seems aptly to describe the position existing in shipping circles to-day—certainly not under any process of Tariff Reform, but by the policy of Free Imports. *It is a fact that for five years past shipping property has not earned its depreciation.*

The three essentials of the Free Import argument in regard to shipping are stated to be :—

1. Economy in building, equipment, and repairs.
2. Economy in working expenses, owing to the prices of provisions and stores not being raised by tariffs.
3. Large outward and homeward cargoes resulting from the commercial policy of the “open door.”

The writer will agree in general terms to No. 1.

In regard to No. 2, if better freights and more cargoes can be obtained by the development of Imperial Preference, the writer, as a practical shipowner, is not averse to paying

fair prices for, not only provisions and stores, but in costs and wages, to those engaged in the industry. Prosperity always does mean a somewhat improved scale of living for all concerned.

In regard to No. 3, we can agree as to the necessity of large Outward and Homeward cargoes, but the writer claims that these would be vastly increased by Imperial Federation.

The writer again entirely agrees that this matter should be looked at plainly without reference to Party politics. He indeed regrets that the question has not been dealt with altogether outside the arena of political controversy. But the blame for this cannot be laid at the door of the Tariff Reformers. It is the fault rather of Free Importers, who are active political partisans on the side of Free Import theories. Free Trade, after all, has been adopted in this country merely for some sixty years, and is totally at variance with the general facts of history, the lessons of which must be regarded. Let us, then, examine the facts, establish fair premises, and proceed to draw legitimate deductions from them.

The great shipping trade of England was built up and fostered under the navigation laws developed by the greatest of all democrats, Oliver Cromwell, to carry on the commerce which England gained and cared for under Protective methods during the Tudor and Elizabethan periods. In the sixteenth and seventeenth centuries the Dutch occupied practically the leading position in the world's commerce. They were then the commercial, shipping and banking power of the world. They observed the policy of Free Trade to its fullest extent,—going so far, in their endeavour to retain their carrying trade, as to make their ports free. England wrested their position from them under a system of Protection, and while putting into broader effect their navigation laws.

A study of the period reveals that, in the discussions that took place at the time of the Repeal of the Corn Laws, Protection was abandoned mainly because of the assumed assurance of our position and the great commercial and shipping lead we then possessed over other nations.

Again, to-day, history repeats itself. Under conditions similar to those which beset the Dutch in the seventeenth century, England's manufactures, commerce and shipping, even her banking, are seriously menaced by the commercial armaments of Germany and America,—in other words, the intelligent scientific tariffs which they have adopted. Both these countries, in common with every other civilized nation, including our Colonies, have adopted Protective Tariffs, under which their populations and commerce have vastly prospered. All the principal foreign maritime countries of the world have enacted coasting laws founded upon those which we abandoned, and thereby developed mercantile marines.

To-day, British shipowners are confronted with the fact that France, Germany, Russia, Italy, Spain, Portugal and the United States have all reserved for their own flag and their own vessels the trades of their coasts. Germany, it is true, leaves a loophole, but her coast-line is meagre.

This means that, within the last few decades, a very large portion of the trade of the World has been gradually closed to British ships. The Russian Volunteer Fleet, the fine German steamship institutions, have all been built under State recognition and considerable assistance in one form or another : all of which has seriously curtailed the field of operation for the British ship-owner, who can no longer depend upon Free Markets for his trades.

No argument in favour of a re-constructed fiscal policy is more important than the fact that our mercantile fleet is out of all proportion to the present requirements of the actual trade of the United Kingdom as at present constituted.

The wise course, therefore, is to cultivate trade with our Colonies, and arrange that the goods we buy shall come in our own British-built ships, as was the case under the National trade policy of the Elizabethan period.

The United States declare a voyage from New York round Cape Horn to San Francisco, or from San Francisco to Honolulu, to be a coasting voyage, and as such restrict it to their own flag. They have made provision to add Manilla and the Phillipines whenever it suits them. France refuses to allow any but French vessels to trade between French ports, such as Marseilles and Algiers. Russia, in reserving its coasting trade to its own flag, includes in this restriction the navigation between Russian ports in the Baltic and the Black Sea, and between all Russian ports and Vladivostock in the Far East of Siberia.

Surely, it is, therefore, time the Imperial trade within the Empire was reserved to British shipping, and, in considering this matter, it may be borne in mind that the coastline of the British Empire is the greatest of any nation in the World. For instance, England to India ; to Canada ; South Africa ; and Australia to Vancouver ; to Australia and New Zealand, are only a few of the trades we could keep for our own tonnage in developing Inter-colonial trade.

America has gone so far as to close her coasting trade exclusively to vessels built in America, while Russia, France, Italy and Germany have, by bounties, stimulated in every possible way the building of their own maritime fleet, all with the object of improving the labour conditions of the respective nations—a very proper object indeed.

Addressing the Liverpool Chamber of Commerce in 1903, the writer pointed out that, unless we alter our navigation laws, the competition of these fleets will be heavily felt in our waters, in which case we will find the depression in shipping only in its infancy. This has proved to be the case.

To-day, the heaviest guns of modern scientific tariffs, to be backed, apparently, when necessary, by Dreadnoughts, are trained upon the most vulnerable points of our shipping commerce and industry, and the country has now to decide whether we shall fall back upon the commercial "cul-de-sac" into which we are fast being driven, or whether we will consolidate the British Empire by federation with our Colonial Dominions, and retain those markets and ports under commercial union.

In the meantime, let us again refer to the case of the Free Importer.

Mr. Charles Booth, Junr., in his article, follows all the initial errors of the convinced Free Importer, and asserts that "the amazing expansion and unchallenged supremacy of "the British Mercantile Marine dated from the abandonment "of protective tariffs." On the contrary, this supremacy *is* challenged, and most severely. Obviously, with the great scientific development of modern civilization during the last sixty years, the world's trade and commerce has vastly increased in all and every direction, but the question is, *have we got to-day our full and proper proportion of the trade of the World?* Are we making the best use of our material and of our opportunity? That is the question for Capital and Enterprise. For Labour the question is: Are we obtaining, under our fiscal methods, our percentage of the wages of the World?

Let us agree that in Liverpool the question is of paramount importance; that it affects, not only the prosperity of every business man, but the livelihood of every artisan and labourer in this great seaport.

The Free Importer clearly bases his arguments upon the old Free Importing policy of cheapness. In other words, following the lines of the article that recently appeared in the "Economist," he proceeds to argue that Liverpool, as a shipping port, is in a different category

to that of the internal manufacturing areas, such as, for instance, Manchester or Birmingham : That what is good for one cannot be good for the other. The writer wishes to emphasise the fundamental fallacy of this argument, a wicked argument because, applied to commercial affairs, it is the elaboration of that despicable principle of Radical Free Importing policy—the setting of class against class.

The prosperity of Great Britain to-day must stand upon the successful conduct of its various departments, branches of commerce and manufacture as a whole. It is impossible to affect the prosperity of manufacturing without affecting the prosperity of shipping. Shipping formerly was termed “the barometer of commerce” for that very reason. *Now its mercury is stationary at zero. For years past it has been unremunerative, and still pays no dividends, notwithstanding that the greatest oversea trade is passing which the world has ever known.*

Now, let us proceed to examine and discuss the Tariff Reform constructive point of view.

While in nowise ignoring the importance of our Foreign over-sea trade, the writer maintains that shipowners can keep that best and longest under Tariffs and Coasting Laws. Tariff Reformers claim that National production is a better safeguard for the Nation's welfare than cheap consumption, admitting always the importance of efficiency in utilising all the sources of National strength to avoid wastage. In their opinion, the strength and welfare of the British Nation depend upon the physical well-being and happiness of the greatest number. Thus is maintained the commercial credit of the Nation so essential to success. To sustain this best, there must be earnest co-operation of all classes, and all must have confidence and security. That is the rock and foundation of our argument. The three principles of success

must be—Fair Interest for Capital, Fair Wages for Labour, and Fair Prices for the Consumer. That these can be obtained under the suggested process has been demonstrated in our own Colonies, as well as other countries.

There is no proposal of subsidies or bounties in the Tariff Reform Policy for Shipping.

All shipowners ask is a fair field and no favour as against any other British Industry. We do not ask to specialize any trade or industry to the disadvantage of another. *Protect the market from unfair foreign competition, and then the individual in that market must stand or fall on his merits.* To advocate a policy of National cheapness, *i.e.*, the importation of foreign articles similar to those produced by our staple industries at less than their cost of production, for the special benefit of shipping, in the manner prescribed by the Free Importer, is to claim that shipping shall have an advantage against the other industries of the country only to be gained at the expense of the well-being of the general community. But the question is, whether any advantage to shipping has been gained by this policy of Free Imports?

Such a policy is bound to fail because it is a selfish, narrow-minded creed.

Analysed, it means that they consider they can only retain their foreign market by the continuance of a preference, at the expense of the rest of the community, especially wages, and that, though even the physical manhood of the Nation be the sacrifice, nothing must interfere with their theories of cheapness.

Any intelligent student of English and contemporaneous history of the last hundred years, must see the necessity of fiscal change. But, to go further back, the writer commends to the Foreigner's Friend the study of the history of Troy and how gallantly they fought. There was no question regarding the courage, skill, or resources of the defenders ; but they possessed a weakness

parallel to that of the Foreigner's Friend of to-day. They were over-fond of a bargain. They forgot that this is a wicked world, where you get nothing for nothing and very little for sixpence. So when the Greeks offered them a horse of wood for nothing (c.i.f. of course) they closed with the offer. It was the cheapest piece of foreign goods ever dumped upon a market. The Trojans had for excuse that they did not know, as we should now, that wooden horses may contain armed men, and that it is therefore wise to look, not only in the mouths of gift horses our rivals send us, but to spend much thought over the reasons which cause them to be so absurdly generous. Troy was a strong city ; her inhabitants were rich and powerful. She withstood the assaults of her rivals for years. Therefore, I wonder—and the more I wonder the more convinced I become—that history repeats itself.

The substance of the advice of the Foreigner's Friend is that he wants to buy cheap. Other people he knows want to buy cheap. The nation is composed of individuals who all want to buy cheap. Ergo, Free Imports, which makes things cheap, must be good for the nation. Had these convinced Free Importers been Trojans, how they would have chuckled over the bargain of the wooden horse.

Now, the writer is of opinion they are not correct in their theory, and that better results can be obtained by sounder methods.

One would have expected Mr. Charles Booth, as Chairman of the Steamship Owners' Association, to have studied more usefully the Report lately prepared, at the request of the Association, by Mr. Norman Hill, their Secretary. The Free Importer's eagerness for the political, rather than the commonsense side of the question, seems to have blinded him to the most important deduction to be gathered from that Report. On page 15 Mr. Norman Hill states : "*Apart from the excess in the supply of tonnage over*

"the demand, the figures I submit appear to me to bring out two other points of great importance. The first is the rapid growth, during the last fifteen years, of Foreign Shipping. From 1895 to 1906, I estimate that the cargo carrying capacity of the vessels engaged in the Foreign trades of the World increased from 10 to 22 million tons, or 110 per cent. in the case of Foreign Shipping, and from 13 to 22 million tons, or 70 per cent. in the case of "British Shipping."

The writer begs his Free Importing truth-seekers to honestly study and digest this statement. What is the inevitable answer? That, during that prosperity and development, of which they boast, and from which they urge no departure on our part must interfere, we have actually, at our own game, at our National Shipping Industry, been beaten by the foreigner, not by any trifling amount, but by so important a margin as 40 per cent!! There is no deception of figures here, because the quantities *are practically equal*. Now, under what conditions, by what methods, and by what manner of men is it that we have been beaten in this extraordinary contest? Not by Germany and Russia adopting Protection, and America, France, Norway and Sweden adopting Free Trade, but because the whole intelligent civilized world, with the single exception of ourselves, in obedience to no concerted movement, but each acting in accordance with universal common sense, have one and all adopted and used the very weapons of Protection which the Cobdenites induced us to throw away. If the Free Importing arguments are sound, their efforts to promote mercantile marines under Protection should have brought each of these various countries to disaster. This progress of foreign nations under these so-called obsolete protective conditions should have been utterly impossible. Our shipping should have continued flourishing. Their's should have been nowhere, and their national prosperity ruined into the bargain. What, then, is the

obvious answer to the fact? That they with their methods have been more successful than we have been with ours. Surely, then, we must fight them with the same weapons, not, forsooth, to beat them—that we are unlikely to do—but, for the most paramount of all reasons, *i.e.*, in order that we may retain that which we have got and that upon which so large a percentage of our great population depends for wages. Had we been beaten in the race by countries that had adopted Free Imports, by countries that had built their tonnage during the last fifteen years under the same system as ourselves, obviously, the conclusion would be different. It would then be clear that we had failed on equal terms with them, and that they were the better men. That, however, fortunately, is not true. The fact is that for fifteen or twenty years we have been taking part in a most unequal contest, fighting, with blind ignorant courage, men aided by their State in many directions, with the further advantage that, by the enactment of navigation laws, these various countries have combined to retain a large proportion of the trade of the world for themselves, and to the exclusion of the British flag. Foreigners are more and more determined, not only to do their own trade, but also to oust the British flag from the carrying trade between one foreign country and another, and the writer is of opinion that free exchange of Shipping Trade is more possible between one Protected country and another, than between one Free Importing country and a Protected country. To obtain an advantage you must have an advantage to give. Free Importers forget that the fault of the Dutch was “giving too little and asking too much.” Free Importers have nothing to barter with. Here again is instanced the advantage of the two markets.

Having made that position so far clear, let us now proceed to enquire into and develop the Tariff Reform policy, as it occurs to the writer, to remedy the present serious state of shipping affairs.

Tariff Reformers recognise that we are living in a democratic progressive age. That social problems, involving amelioration for the condition of the poorer classes, are not only essential and desirable; they have become necessary. The well-being of any great community must depend upon the regular employment of that great mass of the people known as the working classes. Their well-being and prosperity is the greatest security for Property and Peace. Free Imports lead inevitably to Socialism and Ruin. It has done so in all History. The antidote for Socialism is prosperity. Germany, an old country, and America, a new, have proved this lesson. Out of a population in Great Britain of 44 millions of people, only some 5 millions pay income tax, which means that 39 millions are living from hand to mouth, absolutely dependent upon regular wages, regular work, and regular employment, which, under our system of Free Imports, are not, and cannot be, secured to them. One wonders whether the Foreigner's Friends have ever read and studied the able works written by the Rt. Hon. Charles Booth, dealing with these social problems. They cannot be evaded in any scheme for a successful community. Most people would readily approve the judgment and foresight of the foreigner in developing his mercantile marine; admire the foreigner for developing employment and manufactures in his own country; recognise that the intelligent foreigner, in making his own market the basis of his prosperity, and guarding that market by tariffs, is merely copying the process by which our more intelligent forefathers made England great. But the writer now urges that the time has arrived when we also must adopt again similar methods, and this with the greater confidence since he observes that our Colonies, grown to maturity, one and all possessing expanding markets and population, are wishful of closer commercial union with the Mother Country; a commercial union pleaded for in eloquent terms by all our

self-governing Colonies. This request was in itself the origin of Mr. Chamberlain's action in this matter. It is because of this that Tariff Reformers consider that the time has come to consolidate imperially, by a scientific tariff, Great Britain with the self-governing Dominions and the Crown Colonies. By this means, we would then keep and develop our British market, the greatest by far in all the World, for the product of the labour and people of this Greater Britain. *By re-enacting suitable coasting laws, we could then employ all the shipping that we own, and keep our shipbuilding centres employed in the further development which would gradually take place. Therein lies the true remedy for unemployment of all our surplus labour.*

Now, let us see by what process we propose to arrive at this much-to-be-desired condition of things :

Given Enterprise and Capital and Labour, the most essential element in the commercial or industrial developments of a nation is cheap Communication. We own three-eighths of the civilized World, with a population of 400 millions of people. Our Possessions consist of great islands and continents scattered all over the two hemispheres, separated by many oceans. We are still the greatest sea power, and we possess nearly one half of the mercantile marine of the World. There is no cheaper means of communication than water. Realising that, against the modern scientific tariff now operated by foreign countries, we are not likely to make headway with our foreign trade, we should gradually transfer to our own Colonial Possessions some portion of that great trade which we, as purchasers, are doing with foreign countries. We could grow in one part or another of our Colonial Possessions everything we need and everything we purchase to-day from foreigners. Why not send our capital and surplus population to develop and strengthen our own Empire, instead of building foreign states as we have

done, to become in turn our most unfair competitors—the principal competitors of our own Labour and Manufacturers, paying neither rates nor taxes, but, instead, indirectly increasing their Navies and Armies through our large contributions to their Wage Fund?

Few Free Importers realize the extent of the preference that England to-day gives to the foreigner in our market as against the English manufacturer and shipowner. It is a preference of over 120 millions sterling per annum. This is the amount it costs us to run our Imperial Institutions. That is the amount of our Annual Budget Taxation. In this we have not considered our Municipal taxation, which involves a further 160 millions per annum.

For the insane craze of a seeming cheapness we make our markets free and give a large preference to foreigners who contribute neither to our Army, Navy, National Institutions, nor our Poor,—who pay none of our Rates and Taxes. To the total cost of foreign articles entering this country, in ascertaining their real cost, there must be added the amount incurred in operating our markets.

To effect this policy, much of the enormous trade which Great Britain has been doing with the United States we could do equally well under scientific tariffs with Canada. Many people, in ignorance, insist upon disregarding the potential possibilities of Canada as an agricultural and wheat-growing country. America, on the other hand, recognises them. Much of the great trade that we do with Southern Russia could be transferred similarly to India. Part of the trade we do with South America could be gradually distributed between Canada, Australia, New Zealand, and South Africa. A large proportion of the great dairy and farm produce business we carry on with Sweden, Denmark, and France could, in the main, be equally well done with Ireland. Certain it is we have the markets; we have the money; we have the men; we have

the ships and everything that is essential except, apparently, action and decision. Surely, this great problem, imperial in its every aspect, is one which should command thoughtful attention, not from a Party point of view, but from the point of view of its National importance and imperial greatness. *It means work and wages for every British citizen : Employment for every British ship.* How long shall we continue to utilize the tonnage of our mercantile fleets carrying the goods of the foreigner at a price below the cost of the running, thus enabling him to compete, upon an entirely unfair basis, with our own workmen and manufacturers here? Like all great efforts, it entails sacrifice—sacrifice, in this case, of prejudice and superstition.

However wrong Cobden may have been in his predictions, however unwise in his action, nobody probably to-day would be more surprised at the rigid and exaggerated importance attached by his disciples to his doctrines than Cobden himself. The very weapon which he calculated to be our greatest Protection, when advocating his views, *i.e.* the freight position—has been turned into a weapon which is destroying our great Shipping Industry on our seas and the manhood of our country on our shores.

Believing in the eventual success of the Chamberlain policy, up to the present there has been great resistance on the part of Canada against commercial union with America, but, unless we take action, that cannot last. If we give Canada a preference, and we have it in our power to do so, in return for the preference she has given us, we can keep that market for British trade and British ships, and the same applies to all our other Colonial Markets. They have stated that, in such case, they will increase their preference.

The antiquated theory that we could not afford to offend the foreigner because we build his tonnage is completely exploded. The foreigner is building his own tonnage,

because he obtains the benefit of his subsidies and bounties. He realizes that, even if it costs the State more to build these ships, the people and capital of his nation are being employed and get it back in interest, work and wages, thereby developing their physical manhood, and reducing, by their employment and earning power, the ultimate burden of National and local taxation. Neither will the foreigner any longer buy our secondhand ships. Having found his feet, he now prefers to build his own ships under the facilities granted to him by his own Government, and thus gain his title to his coasting trade.

This process gives him two markets.

The question will properly arise in the mind of the sceptic : Yes, that is a desirable state of things, but how can it be carried out ? Where is the money to come from ?

Tariff Reformers agree that, in the main, Imports should be paid for by Exports. That is the keynote of successful business. A Nation is like a firm ; neither can live upon its capital for ever. Both can most successfully flourish upon a reasonable trade margin upon its turnover. It is here that the foreigner has been over-grasping. He sells us what we want but, waxing rich and more prosperous under our stupid policy of Free Imports, he has become more grasping. He discriminates in his purchases, and only buys of our productions those which suit him best. He has graduated his tariffs to be most effective against those of our goods containing highly skilled labour. Here we must imitate him.

In the Colonial and Crown Dominions we can make a better bargain. England purchases each year from abroad £250,000,000 worth of foodstuffs. Obviously, we could not grow this in Great Britain, but it could all in time be grown in Greater Britain. To transfer this trade would give our Oversea Dominions exactly the impetus they need. We also purchase each year £154,000,000 of foreign manufactured goods.

Here is the material of our obvious Imperial prosperity—

the basis of our Imperial Balance Sheet—provided we adopt the policy of Imperial Commerce. England for the English. Greater Britain for the British. Therein lies the essence of the Budget for Tariff Reform.—There the remedy for unemployment both of men and ships. *We pay to-day in wages to foreign labour in imported manufactured goods over £80,000,000 per annum. This represents the wages of over 1 million workers outside Great Britain.* It is estimated that in imported food purchases we pay the wages of $1\frac{1}{2}$ million people at the rate of 5/- per day. To put it more plainly, we are supporting outside England $2\frac{1}{2}$ million working men and their families—while here we have good men unemployed, ships and factories idle.

Our Colonies all do a large trade with foreign countries over and above that which their preference gives us. Most of that can be diverted for England under the system suggested. If we adopt Tariff Reform and Imperial Federation, then the whole Empire will grow, prosper and flourish. Therein lies work for every industrious British subject, and more beside ; also for every British ship and every British shipyard.

No Free Importing Nation can or ever has been able successfully to sustain an effective mercantile marine. The flag may be better said to follow the trade. The Nation with the largest commerce will develop the largest mercantile marine. History proves that this happened in the case of England ; first the commerce, then the shipping. It is proved to-day in the growth of German shipping and shipbuilding. American shipping and shipbuilding will likewise follow. It is the inevitable corollary of National sentiment.

The question of Tariff Reform is neither academic nor economic ; it is a question of business commonsense. We may consign to limbo the abstract theory of the economic doctrinaire. The time has arrived when, in dealing with so important an issue, chop logic should be disregarded.

To succeed in commercial affairs, a man must be not only honest but intelligent. Naturally, men will always be found in every age to vary in the point of view from which they observe conditions, but, in the consideration of these matters, they will, if honest, be logical. Their intelligence can only be judged by their deductions from facts and observations. They must prove their case, not by mere abstract statements, but the hard facts of history and logic.

Convinced Free Importers would do well to digest the figures of Mr. Norman Hill. They must consider the obvious construction placed upon them by the writer. Assuming honesty of purpose, if they construe the interpretation of the eloquent figures produced to mean that it is desirable, in the interests of Shipping, that we should continue our present insane course, it can reasonably be claimed that they lack intelligence. They wonder at our astounding position in the Shipping World. Why should they wonder? We have been acting for many decades upon the principles they considered invulnerable, bowing down before the idol they worship, Free Imports. The policy of cheapness has been so consistently pursued that further economy in ship-building or ship-owning is impossible. The horse has come to the proverbial straw a day. The question is, can it sustain life under those conditions?

It may be their intelligence has been so dazzled by the seeming prosperity of English shipping that they have been totally blinded to the amazing foreign progress revealed in these figures. The red light is burning brightly. Will they see it?

According to them, Protection is ruinous to Shipping, and desperately bad for all connected therewith. If their deduction is correct, how can they account for the foreigner, under these adverse conditions, equalling us in total tonnage, notwithstanding all our natural advantages, plus the magic

of Free Imports? This is a self-evident proposition. They cannot have it both ways, and if, as the writer believes, they mean to be honest, they must admit the impeachment. It is a simple problem. Upon the tables of the Steam Ship Owners' Association Report, they must see that their deductions are not intelligent. If they still claim to be intelligent in the arguments they advance, then it is for the Jury of Public Opinion to say whether or not they are honest.

When Germany builds Dreadnoughts, why do we change our Naval policy and build Dreadnoughts likewise? Because our first-class battleships are thus rendered obsolete. So must we alter our commercial methods. The doctrinaires answer: "It is the survival of the fittest." The "survival of the fittest" means that those who are fit move with the times. Those who are not fit drop out of the race for progress. Are we to drop out? As well fight Dreadnoughts with bows and arrows, as continue our present methods.

Great Britain owns one ton of shipping to each three members of her population. It is a safe estimate that one out of every thirty-six of the male population of the United Kingdom over fifteen years of age earns his living through the medium or influence of shipping. The true and best solution for the future of Great Britain and its vast possessions beyond the seas, is a proper and well conceived scientific tariff to divert and extend all possible trade within the Empire, in conjunction with a modified re-enactment of the navigation laws to employ our vast shipping and ship-building industry. *Their future depends upon this.* Then, indeed, and then alone can we be independent of outside influences, go ahead commercially, industrially, employing our people and our capital, and retain our pride, place and prestige in the progress of the nations of the world.

At the Third Reading of the Corn Laws Bill in 1846, Mr. Disraeli said :

“It may be in vain now, in the midnight of the
“Free Traders’ intoxication, to tell them that there will
“be an awakening of bitterness. It may be idle now,
“in the springtime of their economic frenzy, to warn
“them that there will be an ebb of trouble. But the
“dark and inevitable hour will arrive ; then, when their
“spirit is softened by misfortune, they will recur to those
“principles of fair Protection which made their England
“great, and which to our belief can alone keep her great.
“They may then perchance remember that this is the
“cause of the people and the cause of England.”

“The Colonial system, with all its dazzling
“appeals to the passions of the people, can never be
“got rid of except by the indirect process of Free Trade,
“which will gradually and imperceptibly loose the bands
“which unite our Colonies to us by a mistaken notion
“of self-interest.”

—LIFE OF COBDEN, *by John Morley. Letter to
Henry Ashworth, 12th April, 1842.*

“The man who owns most gold, and lavishly
“distributes it, will gain Dominion over all. Religion
“will consist in wasting alms at large, and self-willed
“women will seek for power. They who rule the State
“will rob the people, and abstract the wealth of
“merchants on the plea of raising taxes, and in the
“World’s last age the rights of man will be confused,
“no property be safe.”

—*An Indian prophecy, taken out of the Rurenas,
a portion of Hindu Scripture, date about 1,000 B.C.*

“*Let us grasp the hands that are outstretched to us.*”

“It is our interest to stimulate the prosperity
“and progress of our Colonies.”

“To me England, Great Britain and United
“Kingdom speak for a great past, for great duties ;
“they speak to me of a great future.”

—*Joseph Chamberlain.*

“The frontiers of the weak are seas and rocks ;
“the frontiers of the strong are men.”

—*Lamartine.*

“ADMIRALS ALL.”

Effingham, Grenville, Raleigh, Drake,
 Here's to the bold and free !
 Benbow, Collingwood, Byron, Blake,
 Hail to the Kings of the Sea !
 Admirals all, for England's sake,
 Honour be yours and fame !
 And honour, as long as waves shall break,
 To Nelson's peerless name !

Splinters were flying above, below,
 When Nelson sailed the Sound :
 “ Mark you, I wouldn't be elsewhere now,”
 Said he, “ for a thousand pound ! ”
 The Admiral's signal bade him fly,
 But he wickedly wagged his head,
 He clapped the glass to his sightless eye
 And “ I'm damned if I see it,” he said.

Admirals all, they said their say
 (The echoes are ringing still),
 Admirals all, they went their way
 To the haven under the hill.
 But they left us a kingdom none can take,
 The realm of the circling sea,
 To be ruled by the rightful sons of Blake
 And the Rodneys yet to be.

From “ The Island Race,”

By HENRY NEWBOLT,

(*London, Elkin Mathews*).

FINIS.

of their prosperity.

however well-meant, is likely to undermine the foundations
sider well before giving their support to a movement which,
policy of free imports. British ship-owners should con-
well as vast organism; and it has grown up under the
Truly, British commerce is a complex and delicate, as
manufactures by British ships to India.

shipment of Manchester cotton goods or other British
our debt to America, are often both paid by (*e.g.*) the
position, and that, as a fact, America's debt to India, and
markets, we score heavily in consequence of our Free Trade
and Argentina show that, in those great and growing
America. The statistics of our exports to India, China,
great neutral markets, such as India, China, and South
only ourselves to blame if we do not beat our rivals in the
countries, are wonderfully maintained; and we shall have
Our exports, even of manufactured goods to protected
trade.

contrasted with the possibilities of expansion in our foreign
with or without preferences, are comparatively small, when
The prospects of trade with our self-governing Colonies,
greatness in the future lies in our trade with the Colonies.
Chamberlain's contention that our only hope of commercial
of our Colonial to our foreign trade as to justify Mr.
of years do not show any such increase in the proportion
caused by the South African War, the figures over a period
sacrifice the greater to the less. Apart from the boom
reduce our foreign and to increase our Colonial trade—to
The ultimate object of Mr. Chamberlain's policy is to
carried by our ships.

import trade will equally diminish the outward cargoes
that any scheme which places obstacles in the way of our
freights earned by our shipping. It would therefore appear,
or invisible; and invisible exports consist largely in the
to face a corresponding diminution in our exports, visible

Empire, the shipping trade of Germany would never have attained its present high position.

Unless similar freedom to purchase their raw material in the cheapest market is granted to our shipbuilders under a Tariff Reform *régime*, a deadly blow will have been struck at our shipping trade.

What precisely the Tariff Reformers propose to do for the British ship-owner we do not know. Presumably those ship-owners who so ardently support the cause anticipate that some special steps will be taken to benefit British shipping; but it is difficult to see how such steps could avoid doing more harm than good to the shipping interest. It remains to consider briefly what effect the general policy of taxing food, raw materials (in the broadest sense), and manufactured goods, is likely to have upon our shipping trade.

It is, I think, difficult to maintain the position that the Chamberlain policy, if carried out, will not substantially reduce the cargoes carried to and from these islands, in addition to increasing the first cost and working expenses of our ships. The policy is avowedly meant to reduce the quantity of foreign manufactured and semi-manufactured goods which we import, and to increase the cost to ourselves of the home-made goods which it is hoped will take their place. This involves the taxation of what, in a very large number of instances, is essentially raw material. Increased cost of production, coupled with diminished purchasing power on the part of the people, will inevitably follow, with the resulting diminution in imports of every class, including absolute raw materials and food.

The Tariff Reform League, in one of its early pamphlets, asserted that what this country needed was an increase in exports and a decrease in imports. It would be interesting to know how it is proposed to achieve this result. If we reduce our imports, we shall inevitably have

Herr Ballin, the able Managing Director of the Hamburg-American Line, is no believer in subsidies. I understand his view to be, that they are a very doubtful blessing, and often involve an actual loss to the Company which is in receipt of them, by compelling it to maintain unremunerative services, which, from the commercial point of view, would be better discontinued. Subsidies, after all, are not given for nothing; and many ship-owners rightly prefer absolute freedom to the restrictive conditions which inevitably accompany Government subsidies.

The conditions attached by the German Government to its contract with the Norddeutscher Lloyd are extremely onerous, and may almost be said to make the Imperial Chancellor joint Managing Director of the Company, so far as its Eastern service is concerned.

Beyond the direct subventions paid to the Norddeutscher Lloyd and German East Africa Lines, the German Government, through its State railways, assists the German East African and German Levant Lines by granting largely reduced rates of carriage to goods exported from inland places in Germany on through bills of lading, either to East Africa or to the Levant; and the development of those particular trades has undoubtedly been helped by this form of indirect bounty.

The conclusion of the whole matter, so far as Germany is concerned, is, I think, well stated by the Ship Subsidies Committee when they say, in their Report, that commercial skill and industry are the major factors of the recent development of German Shipping. But, great as German commercial skill and industry are, they would have availed little against the dead weight of high protective duties. Without the special exemptions from the tariff granted by the German Government to German ship-owners and ship-builders, and the facilities for handling cargo unhampered by Customs formalities provided by the free ports of the

Sutherland, the Chairman, claims that this is a low remuneration for the services actually rendered, and that it is calculated on an altogether lower basis than the £300,000 paid to the Norddeutscher Lloyd by the German Government. On the other hand, there are British ship-owners who do not agree with Sir Thomas Sutherland, and who hold that our Government is paying very dear for the service it gets.

In reading the evidence before the Ship Subsidies Committee of the House of Commons, one finds the Norddeutscher Lloyd subsidy quoted *ad nauseam*, as though the entire development of German shipping had been due to it. The tonnage of the Norddeutscher Lloyd is 732,037 tons gross, and of the German East Africa Line 86,627 tons. The total German tonnage is 4,267,000 tons gross; so it follows that 3,428,336 tons of this are unsubsidised. And among the unsubsidised German lines we find the great Hamburg-American line, with its gigantic fleet of 164 steamers aggregating 869,762 tons gross, the most successful of the German Steamship Companies.

Up to a few years ago, the Hamburg-American Line provided mail steamers for the East Asiatic mail service alternately with the Norddeutscher Lloyd, and shared the subsidy with the latter company. Under a more recent agreement the Hamburg-American Line undertakes a regular cargo service to the East, and leaves the mail service entirely to the Norddeutscher Lloyd. The Directors of the Hamburg Company, in referring to the matter in one of their Annual Reports, say :

"Since we have gone out of the East Asiatic Imperial Mail Service, our Company has again become entirely dependent on its own strength, and receives no description of Imperial or State subvention. The only thing that comes to it from the Imperial Treasury is the remuneration for carrying the mails, which, as is well known, is very low, and in particular is calculated at decidedly lower rates than the remuneration which is paid to the English Steamship companies by the British Post Office."

comparatively recent date, nearly all German steamers were built in British yards. In this way a considerable merchant navy was formed; and, when German yards came to be started, the Imperial Government, realising that only by keeping the first cost of German-built tonnage as low as possible could they hope to succeed, encouraged them by allowing the free entry of all materials for ship-building. Hence the German ship-building trade has not suffered, like so many other German industries, from the dumping policy of the Steel Kartels, and has been able to avoid the fate of American ship-building; for, although the United States tariff contains a clause allowing the importation in bond of materials of foreign production for the construction of vessels built in the United States for the foreign trade, this concession is coupled with such conditions as have made it practically inoperative.

Germany, then, carries on ship-building under practically Free Trade conditions, and grants German registry to ships built in British and other foreign yards; and these two facts are worth more to German shipping than any subsidies which the German Government may pay. But, in fact, the direct subsidies paid to German lines are far less than is generally supposed in this country, and cannot for one moment be compared with what is done in this way for our less successful competitors, France and Italy, by their Governments.

There are only two subsidised German lines, the Norddeutscher Lloyd and the German East Africa Line; and the total amount of subsidy paid is £392,000 per annum. About £300,000 of this is paid to the Norddeutscher Lloyd for maintaining a regular line to Australia and the Far East. In respect of its Atlantic services, the Norddeutscher Lloyd is not subsidised. Now, the P. and O. Company receives £330,000 per annum from the British Government for maintaining the mail service to the East. Sir Thomas

our health, as they say in America ; and there is a price at which any ship-owner will sell out.

The course of events since the sale took place is a further testimony to British skill. The management of the Combine is now entirely in British hands ; and, whatever the ownership of the shares may be, there is absolutely no question of transferring the ships to the American flag, or of building new ships in American yards. In fact, even the American-built steamers " St. Louis " and " St. Paul " are brought to Belfast, or Southampton, for repairs. Whatever may be thought of the Morgan deal, it is clearly no sign of the decadence of British shipping.

The United States do not at present, nominally, pay any other subsidies than postal subsidies ; but in fact indirect subsidies or bounties are granted.

The Americans are naturally distressed at the ill-success of their merchant marine ; and a subsidy Bill for re-vivifying American shipping is a sort of hardy annual in American politics. But these Bills have hitherto never become law, because they have been such blatant examples of schemes for benefiting the few at the expense of the many, that even the people of the United States, accustomed as they are to public plunder, could not stand them. As was said in the evidence before the American Merchant Marine Commission, the word subsidy " sinks in the nostrils of the American people." This Commission, which held a most exhaustive inquiry, sought diligently but quite unsuccessfully for an explanation, other than Protection, of the present parlous state of American shipping. It recommended a more modest Bill than usual to Congress, but the Bill failed to pass.

Germany. The policy of Germany in regard to its shipping trade has been totally different from that of the United States. German ship-owners have always been free to build their ships in foreign yards ; and, up to a

assistance of subsidies too heavy for the American tax-payer to bear. The effect of the law compelling American ships to be built in American yards has been, practically, to stop altogether the construction of ships for the foreign trade in those yards.

The difference in first cost between a ship built in this country and in the United States I have already referred to; and I need only add, that it is greatly increased by that practice of selling dear at home and cheap abroad adopted by the Steel Trust and other suppliers of the raw material of ship-building, which is so strongly recommended for our acceptance by eminent protectionists in this country.

The great efforts recently made to resuscitate American ship-building have failed dismally, after an enormous capital expenditure upon some of the most elaborate equipments of plant in the world; and many of the ship-yards are now in receivers' hands.

Surely all but the wilfully blind must see that American ship-building could not have been worse off, and that American shipping would have been infinitely better off to-day, if a policy of free ships and freedom from restrictions had been originally adopted. Even the reservation of the coasting trade seems to have been of but little use to American shipping; for it is probable that it has tended to place the foreign trade of the United States more completely in foreign (chiefly British) hands than it might otherwise have been, and it has, of course, permanently, and quite unnecessarily, raised coast-wise freights.

The subject of the merchant marine of the United States can hardly be left without a reference to the so-called Morgan Combine. I am inclined to think that the purchase of several British Atlantic lines by Mr. Pierpont Morgan and his associates, at an excessively high price, was one of the highest tributes (in two senses) ever paid to our shipping capabilities. After all, we are none of us in business for

speaking generally, it is certain that French trade has not advanced with the increased munificence of the subsidies, while French ship-owners, and especially French sailing-ship-owners, have unduly benefited at the expense of their country. Under the old law of 1893, which granted a navigation bounty of 1fr. 70c. per gross ton per 1,000 miles run to sailing vessels, as against 1fr. 10c. to steamers, not only was an excessive output of sailing vessels encouraged, to the detriment of steamers, but it was actually found profitable to construct sailing ships of 4,000 tons and over, in order to earn the highly remunerative bounties. An attempt, however, to deal with this particular feature of the system has been made by the law of 1902."

I may add, that this attempt would seem to have been successful. In 1902, France built 192,196 tons of merchant ships, in 1903 her output was reduced to 92,768 tons, and since that date it has fallen to a still lower figure.

The Committee add :

"Notwithstanding these bounties, it has been shown, to the satisfaction of your Committee, that the mercantile marine of France does not in any way commensurately respond to encouragements held out by increasing their amounts. The net tonnage of the French mercantile marine in 1889 was 932,735 tons, of which 440,051 tons represented sailing vessels ; in 1899 the total net tonnage was 957,755, including 450,635 tons for sailing vessels."

In the words of another authority :

"The excessive first cost of ships built in France, the high insurance premiums and generally expensive working, have caused French tonnage during the last few years to show, in the main, disastrous results to the shareholder ; and the bounty has cost the tax-payers of France a very large sum."

The United States had a flourishing foreign shipping trade under their own flag prior to the Civil War, and the introduction of high protective duties which followed the War. No doubt the substitution of iron for wood in ship-building had much to do with the decline of American shipping ; but there has always been a kind of fatality about the steps taken by the United States Government with regard to its merchant marine. In the endeavour to protect the American ship-builder, it has made the foreign trade impossible for the American ship-owner, except with the

mileage rates of the navigation bounty, has reduced the construction bounty to such an extent as to cause a practical cessation of ship-building in Italy. And it is only Italian-built ships that can qualify for the navigation bounty. Captain C. L. Ottley, British naval attaché at Rome, reported under the date 17th July, 1901, as follows:—

"Visits to some of the most important mercantile ship-yards in Italy recently have revealed a melancholy dearth of work. Thus, at the great ship-building establishment of Ansaldo's, at Sestri Ponente, there was not, in June 1901, a single vessel building. Upon three of the six fine ships lay the keel plates and a few angles and plates for merchant ships begun under the old understanding as to construction bounties. But all work had been stopped and the yard was practically closed. . . . At Orlando's at Leghorn, instead of 2,800 hands (the number of wage-earners in 1899) there are now, in July 1901, employed less than 1,500. "Managers of those and other great ship-building industries with whom I have conversed here, unite in deploring the reduction of the bounties. . . . On the other hand, the Government could not have afforded to continue to pay the enormously increased doles hoped for by shipbuilders."

The gross tonnage of merchant vessels launched from Italian yards in 1908 was 26,864.

I do not think that a better example of the disastrous and demoralising effects of Protection could be found.

France. It is in France that we find the policy of bounties and subsidies carried to its most extreme point. Let me quote the words of the Report of the House of Commons Committee on Steamship Subsidies (December, 1902).

"The annual amount of French postal subsidies voted in the Budget in 1901 was £1,067,271; but to these must be added annual bounties for construction or ship-building to the extent of £232,000, and annual bounties for navigation paid per mile run, amounting to £488,000—grand total £1,787,271. There seem to be additions required even to this figure, in respect of bounties on machines and repair of machinery; and by a law of 1902 a French ship-owner has the further right to another kind of bounty, *compensation d'armement*, or outfit bounty, paid to a foreign-built steamer of iron or steel, for each day it is commissioned, if its tonnage exceeds 100 tons gross, and if it is engaged in the ocean or international coasting trade. . . . All these subsidies are quite out of proportion to the services rendered, and,

since been discontinued and replaced by the new contract for £150,000 a year entered into with the Cunard Company. The P. and O. Company, which receives by far the largest subsidies in the kingdom, is paid £330,000 annually for the postal services which it maintains to India, Australia, and the Far East.

The House of Commons Committee state that, in granting British subsidies, the objects mainly held in view are speed and regularity of postal service, and the Admiralty requirements for the call of steamers in time of war or need. Trade interests are not considered, except so far as mail services follow the lines of great commercial traffic.

I need hardly add that the vast majority of British lines receive no pecuniary help whatever from the Government. The foreign countries with which I propose to deal are those which, after ourselves, own the largest merchant tonnage, viz., Norway and Sweden, Italy, France, the United States of America, and Germany, taking them in this somewhat arbitrary order for the sake of convenience.

Norway and Sweden have large merchant navies; taken together their tonnage comes next to that of the German merchant fleet; and there is no doubt that the competition of Scandinavian ships is very severely felt, particularly by British owners of tramp steamers, on account of the low cost of working Norwegian and Swedish vessels. The shipping trade of Norway and Sweden owes almost nothing to subsidies; for the total amount per annum paid to it by the Norwegian Government is £28,252, and by the Swedish £20,591, a large percentage in each case being for the conveyance of mails.

Italy pays substantial construction and navigation bounties, and, in consequence of them, has recently shown a considerable increase in the tonnage of her merchant navy. The cost to the Italian tax-payer has, however, been heavy; and the law of 1901, while slightly increasing the

large scheme of subsidies for particular trades would seem to be the object at which some ship-owners who support Fiscal Reform are aiming. Their favourite method of argument is, first to point to the increasing growth of foreign competitive shipping ; then to describe, more or less correctly, what is done by foreign Governments in the way of subsidising their merchant navies ; and, finally, to leave the impression that we are extremely foolish not to adopt the same methods. But these are not the methods by which British shipping has grown great. The truth is, that the policy of Protection has always been disastrous to the over-sea carrying trade of those countries which have adopted it, and that, consequently, subsidies and bounties, or, as in the case of Germany, special relaxations of the tariff barrier, have had to be resorted to, in order to counterbalance the handicap of Protection.

I shall endeavour to show that the policy of direct subventions has not proved successful in the case of those foreign Powers which have adopted it, but that, on the contrary, our most successful rivals in the shipping trade are those who have least of this form of Government support, and who approximate most nearly, so far as shipping and ship-building are concerned, to our own policy of the Open Door. In our case, even occasional subsidies for special trades are dangerous, and very unfair to other British lines engaged in the same or similar trades, to say nothing of tramp steamers ; while all-round subsidies to such a merchant navy as ours are, as I have said, unthinkable.

Postal contracts and armed cruiser subventions must also be carefully watched, to see that they do not grow into the unfair bolstering up of one particular line, as against the equally deserving neighbours. The total subsidies paid by the British Government in 1902 amounted to £756,000, not including Admiralty subsidies of £77,813, which have

States, whose share of our coasting and colonial trades is infinitesimal.

The annual average of entrances and clearances at United Kingdom ports from and to British Colonies and Possessions for the years 1905-8 were 91.9 per cent. British and 8.1 per cent. foreign. The Norwegian flag accounted for about half the foreign tonnage. Russia, Spain, and the United States were responsible for about 60,000 tons clearances out of a total of over 12,000,000 in this trade. Our most serious competitors—including of course Germany—do not restrict us at all in their coasting trades.

In the coasting trade of the United Kingdom the entrances and clearances of foreign vessels with cargoes amount to less than 1 per cent. of the total.

To use this form of retaliation against the real offenders would clearly be utterly futile; and to carry the policy further by excluding from our coastwise and colonial trade the ships of Powers which do not similarly exclude us, would open the door to a general war of reprisals, in which we, with our immense fleet, would stand to lose far more than any other nation.

In a tariff war such as is likely to be brought about by Mr. Balfour's policy of Retaliation, surely one of the first objects of our opponents' attack would be our merchant marine, so vast, and so vulnerable, engaged as it is to so large an extent in purely foreign trade (*i.e.* trade between two foreign countries). We do not know the exact amount of purely foreign trade carried in British bottoms; but it is certainly very great, and many regular liners, as well as tramps, are engaged in the business.

(b) *Bounties and Subsidies.*

No one, so far as I am aware, has had the hardihood to advocate subsidies for the whole British mercantile marine—it would cost the taxpayers an impossible sum—but a

Issues. The lighting of the coasts—a national charge in every other civilised community—is paid for in this country by means of a special tax upon shipping.

These and other legitimate grievances the British shipowner has ; but between the redress of such grievances and the fiscal cure which is prescribed by the physicians of the Tariff Reform League there is absolutely no connection. At the end of all, it must be admitted that the British ship-owner's biggest grievance to-day is, that times are bad and that he is making little or no profit. For this he has largely himself to blame. The question is, ultimately, a simple one of supply and demand. As long as the supply of tonnage is greatly in excess of what the world's commerce requires, low rates must rule ; and it is admitted on all hands that the building of new ships has of late years been carried on quite recklessly by some of our ship-owners. A depression like the present is universal, and affects all merchant navies ; but it is undeniable that at such a time foreign competition, aided in many cases by subsidies, is felt more severely than usual by our ship-owners. On the whole, it presses more heavily upon us, as the greatest owners of tramp steamers in the world, than on those nations whose steam fleets are almost entirely composed of liners. If we take our regular lines, I am not at all inclined to believe that they are at the present time less successful than foreign lines engaged in the same trades. Admitting, however, that it is becoming more difficult than formerly for us to maintain our predominant position, let us examine the remedies suggested by our fiscal reformers.

(a) *Reservation of Coasting and Inter-Imperial Trade to British Flag.*

But we can only exclude those who similarly exclude us. The chief offenders are Russia, Spain, and the United

On this it has to be said, that these figures are admittedly incomplete, and do not include important carrying trades in which we are largely interested, *e.g.* clearances in Chinese and Brazilian ports are not given in the statement. Next, entrances and clearances in themselves are a somewhat misleading test. Steamers going in and out frequently, on cross-channel and short route voyages, make a big show in the annual totals, while vessels engaged in long-distance trades count for very little. It is not improbable that British ships are to-day more engaged in the long-voyage trades than they were in former years.

The disquieting feature of recent years has really been the large increase in foreign tonnage at some of our own ports, more particularly those at which coal and other kinds of weight cargo are dealt with.

But there is absolutely no question as to one of the most important causes of this development of foreign at the expense of British shipping in the particular trades affected; it was the laxity until recently of the Board of Trade in not enforcing on foreign vessels in our ports the stringent regulations in regard to overloading and other matters of safety which British ships were compelled to observe. British ships have been sold to foreigners, and have come to load at British ports under their new flags, and have carried away substantially more cargo than was allowed them under our flag—in some cases just enough to make the difference between profit and loss on the voyage.

Mr. Lloyd George's Merchant Shipping Act of 1907 has at last removed this grievance, and from October 1st, 1909, foreign vessels loading at our ports have been put on the same footing as our own ships in the matter of loadline. It will be interesting to watch the effect of this new regulation on the development of foreign shipping at British ports. Another unfair burden which, though reduced, still falls heavily on the British shipowner is that of the Light

cheap and good stores, whether provisions or deck or engine stores—even oils and other stores which emanate from America are generally bought cheaper here, (d) cheap repairs.

(3) *The large homeward cargoes of produce of all sorts, and also of manufactured and partly manufactured goods, provided for our steamers from all parts of the world by our policy of the open door, and the consequent corresponding benefit to our export trade.* Mr. Norman Hill, in his interesting pamphlet *The Shipping Trade and Fiscal Policy*, has printed a Table which shows how little the percentage of our total exports to our imports varies. Anything that tends to check imports will, *ipso facto*, check exports and reduce the cargoes, outward as well homeward, for our ships.

(4) *The large outward cargoes of coal which provide our tramp steamers with ballast and freight, enabling them to be cheaply placed in favourable positions for handling produce homewards.* I mention this as one of the advantages conferred on our shipping by Free Trade, since many fiscal reformers appear to desire to check our export trade in steam coal, and welcomed the late 1s. tax on coal exported, as a step in the right direction.

Having touched upon the benefits conferred upon British shipping by Free Trade, let us look for a moment at the weak points in the position, and consider the difficulties under which the British ship-owner labours. Are these difficulties at all attributable to Free Trade? Is a protective, retaliatory, or preferential policy in the least likely to overcome them?

The latest Board of Trade figures of entrances and clearances in the foreign trade of the principal maritime countries show, that while the increase in British tonnage has been great, that of foreign shipping, starting from a much lower basis, has been greater.

States for the Lake, River and Coasting trades ; and while this colossal industry, like every other, has its ups and downs, and has recently passed through a period of great depression, it is an industry which cannot be protected, because it is subject to no foreign competition whatever, while it would undoubtedly be seriously hampered by any legislation tending to increase the cost of production.

The wonderful growth of our merchant navy during the era of Free Trade is a patent fact ; and the question naturally follows : To what extent does this great fabric of our shipping trade depend upon our present fiscal policy ? That other causes have helped in the development cannot be denied ; but it can, I think, be shown, that British shipping owes more to Free Trade than to any other cause. The benefits conferred upon our shipping by Free Trade are—

(1) *Cheap cost of construction* due to the absolute freedom of our ship-builders to purchase their raw materials in the cheapest market, and to the avoidance of any artificial increase in the cost of labour, caused by taxes on the food and clothing of the people.

We build the cheapest ships in the world. Even Germany, with considerably cheaper labour, cannot beat us here ; and the difference in first cost between a ship built in Great Britain and a ship built in the United States, is anything from 30 to 60 per cent., and in some cases even more.

The importance of this advantage can hardly be exaggerated. The interest which has to be earned on the additional capital sunk in an unnecessarily expensive ship, on the top of increased charges for depreciation and insurance, is a perpetual handicap to the foreign owner.

(2) Next to cheap first cost comes *low working expenses*, due to (a) the above mentioned cheap first cost and consequent moderate fixed charges, (b) reasonable wages, (c)

The tonnage of British steamers of 12 knots speed and upwards, as given in Lloyd's Statistical Tables for 1908 was 5,795,338, much more than half the world's tonnage of such ships.

Our most formidable competitors in the shipping trade unquestionably are the Germans; but, in spite of the great development of German shipping,—sometimes unduly magnified by the use of misleading percentages—the figures show that we are more than maintaining our lead over them. In 1870 Germany owned 982,355 net tons of shipping; in 1908 her tonnage was 2,825,404—an increase of 1,843,049 tons. In the same period the British Mercantile Marine grew from 7,149,134 net tons to 13,263,354 net tons—an increase 6,114,220.

In this connection the Report of the Select Committee of the House of Commons on Steamship Subsidies (1901-1902) may appropriately be quoted:—

“The Board of Trade belief is, stated with the greatest confidence, that British shipping maintains a flourishing position, and creditably holds its own in most places as compared with foreign shipping, though it is unquestionably true that foreign tonnage increases in proportion more rapidly, because it starts at a lower figure. It is easier to increase from 1 to 2 than from 100 to 200. Between 1890 and 1902, the world's gross tonnage increased from 13 to 26 millions, but, while in that period the British proportion of it has sunk from 63.4 to 52.5 per cent., British steam tonnage has in fact increased in amount from 8½ millions to 13½ millions (gross). The German proportion has risen from 7.2 to 10.2 per cent.; but the actual increase is only from 928,000 to 2,600,000 tons. Thus, although our proportion has sunk and the German proportion has risen, it will be noticed that, in amount, our steam tonnage has increased by 5,400,000 tons, while that of Germany has only increased by 1,700,000 tons; in other words, that for every ton which Germany has added, we have added rather more than three.”

As regards ship-building, the record is also one of wonderful progress. In the five year period 1904-1908 we built 60 per cent. of the tonnage put into the water in all parts of the world, including ships built in the United

FISCAL POLICY AND BRITISH SHIPPING.

WHATEVER the future may have in store for us, it can hardly be denied that, up to the present time, our shipping trade and ship-building industry have developed wonderfully. The tonnage figures, which may be found in this year's (1909) Fiscal Blue Book and Lloyd's Register, show clearly enough that the British Merchant Navy is to-day greater than it has ever been, and that our ship-yards continue, in spite of strenuous efforts on the part of the foreigner, to maintain their amazing supremacy.

Many foreign nations, it is true, have substantially increased their merchant navies; and the percentage of British tonnage to the whole tonnage of the world is not quite what it was ten or fifteen years ago. The dead weight carrying capacity of our merchant fleet, according to a careful estimate recently made by Mr. Norman Hill, the Secretary of the Liverpool Steam Ship Owners' Association, is still 50% of that of the whole world; and, if we take into consideration the high quality of the greater part of our tonnage, it is probably equivalent to a good deal more. No merchant marine, with the possible exception of the German, is made up of the same modern high-class tonnage as our own. Indeed, much foreign tonnage consists of vessels sold by British owners because they were obsolete; and such vessels cannot fairly be measured, ton for ton, with the up-to-date ships by which they have been replaced.

INTRODUCTION.

The total tonnage of British Shipping is so great, and the number of persons dependent upon its prosperity forms so large a proportion of our population, that any proposal which will affect this great industry demands most anxious and careful study. That a reversal of the Free Trade policy which has existed in these Islands for more than fifty years would profoundly affect our shipping trade, none will be concerned to deny. The question to be decided, therefore, is, what are the effects of the proposed change of policy likely to be? Will the total volume of our shipping operations be increased or diminished? Will our capacity for building the best ships at the least cost be helped or hindered? Are the profits of the owners and the wages of the men likely to be raised or lowered, and is the amount of employment provided in shipping and shipbuilding likely to be greater or less? These, and other questions, are of such vital importance to the well-being of the whole nation that it is well that calm, dispassionate examination should be given to them, even at a time of political excitement and stress.

I can conceive of no one more fitted to discuss these grave questions than Mr. Charles Booth. His intimate acquaintance with the Shipping Trade, combined with his capacity for stating with moderation and clearness the conclusions at which his trained judgment has arrived, render anything which comes from his pen on this subject worthy of the most careful consideration. Gladly, therefore, do I accept his invitation to write this brief preface to his pamphlet, and I venture to hope that it may be widely read, and assist the people of this country in coming to a right conclusion on a matter so profoundly affecting the prestige and the interests of the Empire.

JOHN BERNARD SEELY.

PREFACE.

In the political crisis which is now upon the country, the question of Fiscal change in its relation to the Shipping Trade is bound to be largely discussed in Liverpool and other great seaports.

It has occurred to the writers of the present pamphlet that a short statement of the case, both from the Free Trade and from the Tariff Reform point of view, presented by two practical Shipowners, may at this juncture be acceptable and useful to controversialists on both sides.

*Liverpool,
18th December, 1909.*

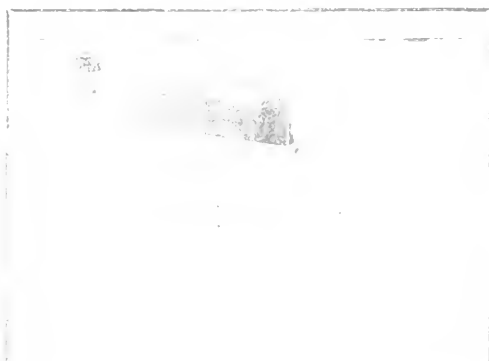
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HENRY YOUNG & SONS
LIVERPOOL

COLONEL THE RT. HON. J. E. B. SEELY,
D.S.O., M.P.
BY
WITH AN INTRODUCTION

CHARLES BOOTH, Junior
BY
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FROM THE
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CHARLES BOOTH, Junior
1911

FROM THE
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